



BOULT • CUMMINGS  
CONNERS • BERRY PLC

REGULATORY AUTH.

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OFFICE OF THE  
EXECUTIVE SECRETARY

Henry Walker

(615) 252-2363  
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April 18, 2001

Richard Collier, Esq.  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: *Petition of Gasco Distribution Systems, Inc. to approve Byrdstown,  
Tennessee Franchise*  
Docket No. 01-00113

Dear Richard:

Attached are the responses of Gasco Distribution Systems, Inc. to the six questions proposed by the staff after the hearing on April 10.


Although Gasco has fully answered each question asked, I believe it important to point out that most of the questions appear written as if this were a certificate application rather than a petition to approve a franchise agreement. Gasco already has a certificate to serve this area and has already been found fully capable of meeting the public need for service in Byrdstown. This proceeding concerns only the franchise agreement which Gasco must have in order to occupy the public right-of-way. The relevant issues are whether the terms and conditions of the franchise agreement are reasonable and consistent with the public interest. Only one of the staff's questions (no. 6) specifically relates to the terms of the franchise agreement. The other questions concern matters such as Gasco's supply of gas, proposed rates, service plans, and financial capabilities, issues which seemingly have nothing to do with the franchise document.

With that caveat – that Gasco does not agree that questions one through five are relevant — Gasco submits the attached responses.

Sincerely,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By:



Henry Walker



**GASCO**  
**DISTRIBUTION SYSTEMS, INC.**

4435 EAST PIKE

ZANESVILLE, OH 43701

OFFICE 740 454-6198

FAX 740 454-7780

April 17, 2001

Michael E. Horne, Chief  
Tennessee Regulatory Authority  
Energy And Water Division  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

RE: Docket # 01-00113  
Petition of Gasco Distribution Systems, Inc.  
to approve Byrdstown, Tennessee Franchise

Dear Mr. Horne:

In response to the questions in your letter of April 11, 2001, please note attached individual pages that list the original question and either a written response or an attachment answering the question.

If you have any additional questions, please contact me at the above address.

Thank you for your cooperation in this matter.

Very truly yours,

*Charles D. Hercher (gms)*

Charles D. Hercher  
Vice President - Operations

CDH/gms

Attachments

cc: Henry Walker

**RE: Docket #01-00113**  
**Petition of Gasco Distribution Systems, Inc. to approve Byrdstown, Tennessee Franchise**

**Question #1:**

Provide detailed map of the intended service area. Also, provide maps of the service area at each stage of construction (as per section #14 of the franchise agreement).

**Answer #1**

Please see attached maps that show the expected phases by year. (Year One - Blue, Year Two - Orange, Year Three - Purple, Years Four, Five, and Six - Green.) Also attached is a map showing the city limits of Byrdstown which are the same as the intended service area of the Franchise.

**Question #2:**

Provide the cost estimates (by year or phase of the expansion) Gasco has compiled to show the anticipated construction costs for the Byrdstown system and the operation of the system. Include how these costs are to be financed.

**Answer #2**

Please see the attached cost estimates of each expansion phases by year that match the expansion phases shown on the maps provided in question one. The Company estimates that the remaining costs for materials and labor to make natural gas available to all residents of the Town after the first three phases are completed to be \$71,016.00. At this time the Company would expect to complete the areas that are most economically feasible in the remaining thirty-six months of the agreement with the Town. Those areas that have the least economic benefit/cost relationship, will not be completed until the final twelve months of the agreement with The Town. Expected customer mainline contributions for each phase have been estimated to be between \$300 to \$500 per customer. The difference in the actual cost and customer contribution will be financed by the Company's lender.

**Question #3:**

Provide a general map showing the route of the natural gas from the pipeline to Byrdstown delivery point.

**Answer #3**

Please see attached map that shows the existing pipeline to the Byrdstown delivery point.

**Question #4:**

Provide information relating to Gasco's gas supply contract, which shows Gasco has sufficient gas supplies to provide service to the Byrdstown area.

**Answer #4**

Please see attached copy of the transportation agreement with East Tennessee Natural Gas for firm transportation and Duke Energy Trading And Marketing, L.L.C. for the firm supply of natural gas.

**Question #5:**

In sworn testimony, the company stated that each Byrdstown customer would be charged a \$150 tap fee and \$1 per additional foot of gas line installed. Provide the cost support for these charges.

**Answer #5**

Please see attached sheet showing a typical cost estimate for a new customer with the required materials and labor to complete the installation of a customer owned service pipeline. Please note that we have used only current prices and that over the course of the five to six years necessary to complete all phases of the expansion, these original costs will increase each year. After reviewing the actual cost estimates of the residential customer owned service pipeline, the more appropriate answer than the \$150 tap fee and \$1.00 per additional foot of gas line, would be \$310 per customer initially. Please review attached sheet for detail.

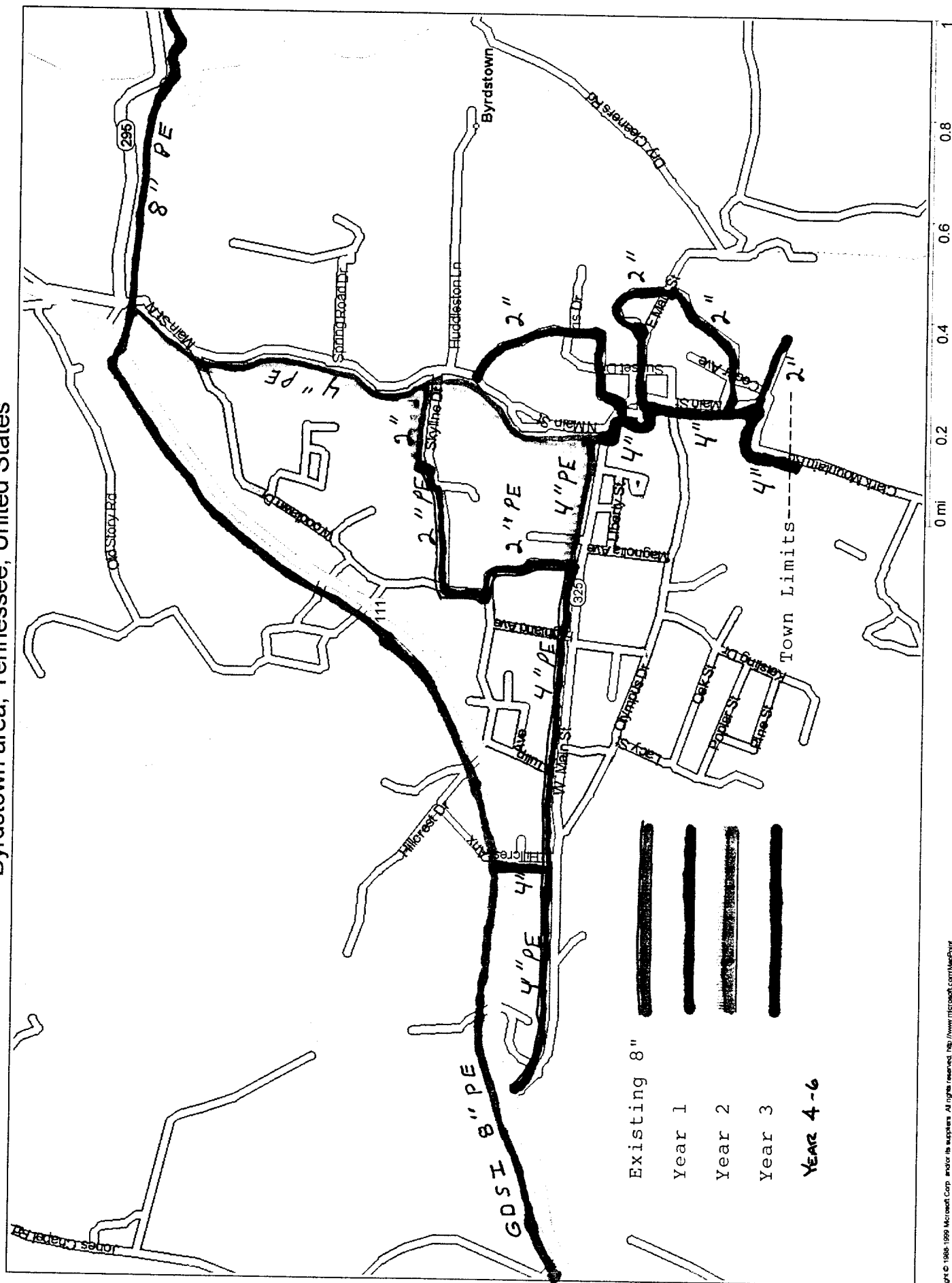
**Question #6:**

In section #13 of the agreement, an 8% penalty is to be charged for failure to remit collected franchise fees in a timely manner. Is this an annual percentage rate?

**Answer #6**

The Company's interpretation of the 8% penalty is that this rate is an annual percentage rate.

Byrdstown area, Tennessee, United States



[illegible]

1. CITY HALL C5
2. COURTHOUSE & POLICE F6
3. LIBRARY G7
4. POST OFFICE F6
5. HEALTH DEPT. F4
6. PICKETT COUNTY HIGH SCHOOL F4
7. BYRDSTOWN ELEMENTARY SCHOOL E4
8. CHAMBER OF COMMERCE F6

- 1 - CITY HALL C5
- 2 - COURTHOUSE & POLICE F6
- 3 - LIBRARY G7
- 4 - POST OFFICE F6
- 5 - HEALTH DEPT. F4
- 6 - PICKETT COUNTY HIGH SCHOOL F4
- 7 - BYRDSTOWN ELEMENTARY SCHOOL E4
- 8 - CHAMBER OF COMMERCE F6

LAHN ST N Q14  
 MAIN ST E Q7  
 MELBOURNE E64  
 OAK ST D7  
 OAKVIEW DR E17  
 PENNINGTON DR F3  
 PINE ST D7  
 PINE ST D7  
 SHORT ST F4  
 SYCAMORE DR F4  
 SPRING HOLLOW D14  
 TAYLOR DR D8  
 TULIP AVE C28  
 WALTON DR D8  
 WALTON ST F3  
 WESTGATE DR F3  
 WOODLAWN DR F3

- [illegible]

**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

DOCKET #01-00113

**MARKET EXPANSION AND COSTS**  
**APRIL 17, 2001**

**PHASE 1**

**Construction Costs**

6100'	4" PE SDR 11 @ \$1.80/ft.	\$	10,980
6100'	4" PE SDR 11 installation @ \$3.50/ft.		21,350
6100'	Tracer wire & tape @ \$.11/ft.		671
3200'	2" PE SDR 11 @ \$.65/ft.		2,080
3200'	2" PE SDR 11 installation @ \$1.75/ft.		5,600
3200'	Tracer wire & tape @ \$.11/ft.		352
	Mics. Valve & Connections		1,200
1	Road bore SR 111		1000
	Trucking		500
	Pipeline markers		650
			<hr/>
Total		\$	44,383

**Potential customer additions**

Services directly off existing 8" PE

- 1 1st United Methodist Church
- 2 Pickett Farm Supply
- 3 Kardol
- 4 Pickett Co. Emergency
- 5 Pickett Co. Head Start
- 6 Red Barn Antiques
- 7 Pritchett's Auto Repair

Services on proposed 4" PE

- 1 Adston Chiropractic
- 2 Barb's Video
- 3 Garrett Drug
- 4 B & K Buy Rite Grocery
- 5 Dale Hollow Power Sports
- 6 Pizza to Go
- 7 Stories Automotive
- 8 Stories Office Bldg.
- 9 Dollar General
- 10 Potters Ace Hardware
- 11 Bobcat Restaurant
- 12 Maw & Pa Flowers
- 13 Kiddie Academy

Services on proposed 2" PE

- 1 Pickett Co. High School
- 2 Pickett Co. Elementary School
- 3 Pickett Co. Dept. of Health
- 4 Byrdstown Nursing Home

Residential Services

- 36 Homes
- 3 Sm. Businesses

**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

**DOCKET #01-00113**

**MARKET EXPANSION AND COSTS**  
**April 17, 2001**

**PHASE 2**

**Construction Costs**

7100'	4" PE SDR 11 @ \$1.80/ft.	\$	12,780
7100'	4" PE SDR 11 installation @ \$3.50/ft.		24,850
7100'	Tracer wire & tape @ \$.11/ft.		781
1552'	2" PE SDR 11 @ \$.65/ft.		1,009
1552'	2" PE SDR 11 installation @ \$1.75/ft.		2,716
1552'	Tracer wire & tape @ \$.11/ft.		171
	Misc. Valves & Connections		1,200
	Trucking		500
	Pipeline markers		650
			<hr/>
Total		\$	44,657

**Potential customer additions**

**Residential customers**

39 Homes  
12 Sm. Businesses



**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

**DOCKET #01-00113**

**MARKET EXPANSION AND COSTS**

**April 17, 2001**

**PHASE 3**

**Construction Costs**

3168'	4" PE SDR 11 @ \$1.80/ft.	\$	5,702
3168'	4" PE SDR 11 installation @ \$3.50/ft.		11,088
3168'	Tracer wire & tape @ \$.11/ft.		348
6100'	2" PE SDR 11 @ \$.65/ft.		3,965
6100'	2" PE SDR 11 installation @ \$1.75/ft.		10,675
6100'	Tracer wire & tape @ \$.11/ft.		671
	Misc. Valves & Connections		1,200
	Trucking		500
	Pipeline markers		650
			<hr/>
Total		\$	34,799

**Potential customer additions**

**Residential customers**

64 Homes  
22 Sm. Businesses

**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

**DOCKET #01-00113**

**MARKET EXPANSION AND COSTS**

**April 17, 2001**

**PHASE 4**

**Construction Costs**

16,400'	2" PE SDR 11 @ \$.65/ft.	\$	10,660
16,400'	2" PE SDR 11 installation @ \$1.75/ft.		28,700
16,400'	Tracer wire & tape @ \$.11/ft.		1,804
	Misc. Valves & Connections		600
	Trucking		500
	Pipeline markers		<u>500</u>
Total		\$	42,764

**Potential customer additions**

Olympus Dr. (North & South), Pine St., Poplar St., Magnolia Ave.

**Residential customers**

72 Homes  
3 Sm. Businesses

**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

**DOCKET #01-00113**

**MARKET EXPANSION AND COSTS**  
**April 17, 2001**

<b>PHASE 5</b>	<b>Construction Costs</b>		
4,200'	2" PE SDR 11 @ \$.65/ft.	\$	2,730
4,200'	2" PE SDR 11 installation @ \$1.75/ft.		7,350
4,200'	Tracer wire & tape @ \$.11/ft.		462
	Misc. Valves & Connections		500
	Trucking		500
	Pipeline markers		<u>250</u>
<b>Total</b>		<b>\$</b>	<b>11,792</b>

**Potential customer additions**  
Tulip Ave., Hillcrest St., Highland St., Ford St.

Residential customers

26 Homes  
0 Sm. Businesses

**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

**DOCKET #01-00113**

**MARKET EXPANSION AND COSTS**  
**April 17, 2001**

**PHASE 6**

**Construction Costs**

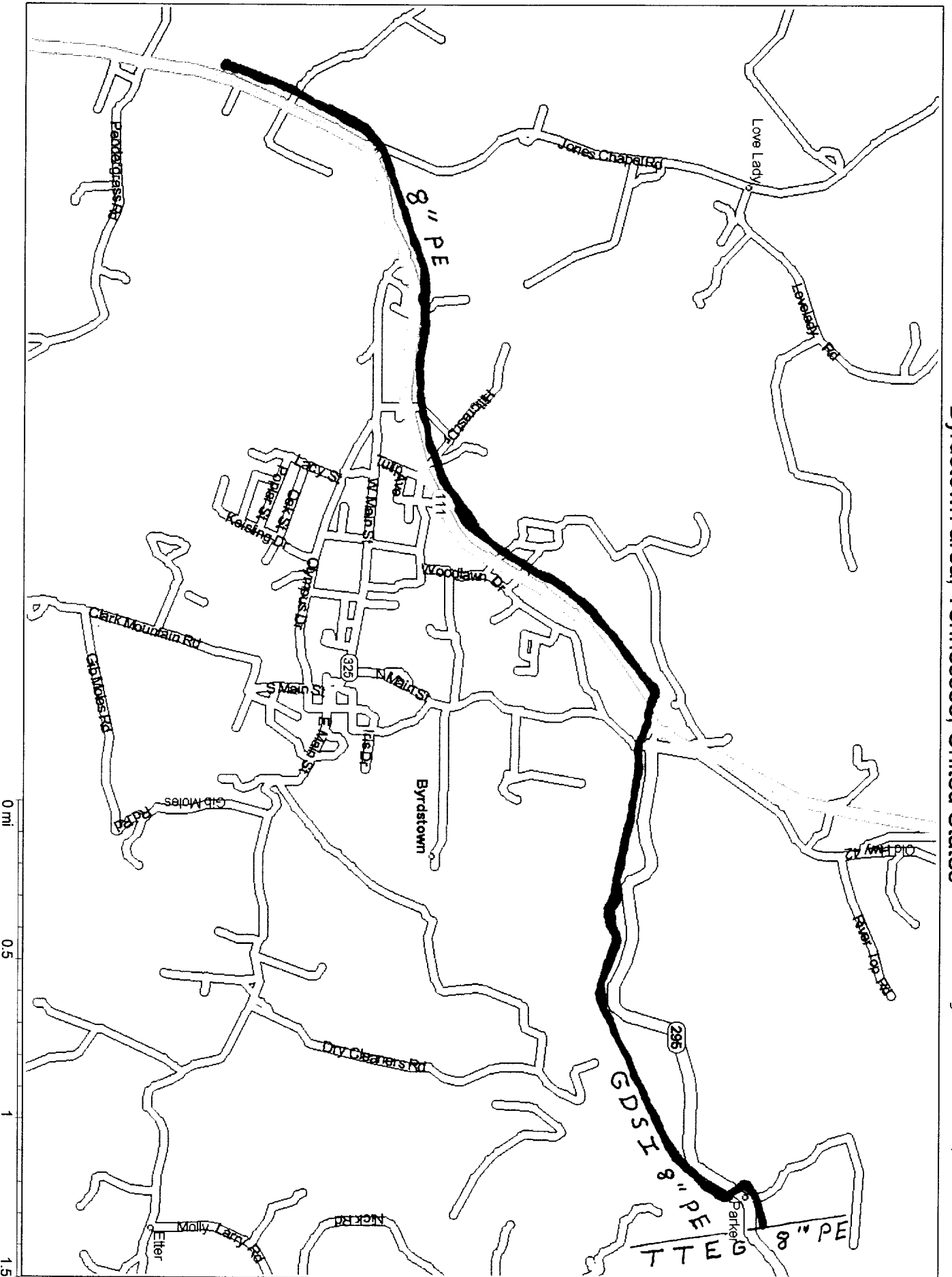
6,000'	2" PE SDR 11 @ \$.65/ft.	\$	3,900
6,000'	2" PE SDR 11 installation @ \$1.75/ft.		10,500
6,000'	Tracer wire & tape @ \$.11/ft.		660
	Misc. Valves & Connections		600
	Trucking		500
	Pipeline markers		300
			<hr/>
Total		\$	16,460

**Potential customer additions**  
Woodlawn Dr.

Residential customers

18 Homes  
3 Sm. Businesses

# Byrdstown area, Tennessee, United States Existing 8" SDR-11, 3408



# MASTER NATURAL GAS SALES AND PURCHASE AGREEMENT

DUKE ENERGY TRADING AND MARKETING, L.L.C. ("DETM"), a Delaware limited liability company, and GASCO DISTRIBUTION SYSTEMS, INC. ("GDSI"), an Ohio corporation, both referred to as "Party" or "Parties" enter into this Master Natural Gas Sales and Purchase Agreement.

## ARTICLE I - PURPOSE AND SCOPE OF AGREEMENT

1.1 This Agreement shall serve as the "Master Agreement" to cover Transactions between the Parties which shall be described more specifically by each Confirmation Notice, in the general form attached. Under the terms of this Agreement, the role of each Party may change from time to time as designated within each Confirmation Notice and that role may be in some Transactions as Seller and in other Transactions as Buyer. The term "Buyer" refers to the Party purchasing and taking delivery of the Gas and the term "Seller" refers to the Party selling and making delivery of the Gas.

1.2 The terms incorporated into this Master Agreement shall enable Buyer and Seller the option to purchase and sell Gas upon either (i) Interruptible Swing Service, (ii) Interruptible Base Load Service, (iii) Firm Service, or (iv) EFP/ADP Sale as defined herein. The Service Level between the Parties shall be designated within each Confirmation Notice. Each Transaction shall be documented by a Confirmation Notice which shall become part of this Agreement. Any discrepancy between this Agreement and a Confirmation Notice shall be resolved by relying upon the Confirmation Notice. Both Parties recognize that any number of Confirmation Notices may be in effect and operation at one time; and that each shall operate independently of one another unless specifically noted within two or more Confirmation Notices.

## ARTICLE II - DEFINITIONS

Except as otherwise specified, the following terms as used herein shall be construed to have the following scope and meaning:

2.1 **"ADP"** - shall mean alternative delivery procedures in accordance with the Rules of the Commodity Exchange.

2.2 **"Affiliate"** - shall mean, in relation to a Party, any entity controlled, directly or indirectly, by the Party, an entity that controls, directly or indirectly, the Party, or any entity directly or indirectly under common control with the Party. For this purpose, control of any entity or Party means ownership of a majority of the voting power of the entity or Party.

2.3 **"Agreement"** - shall mean the legally-binding relationship established by (i) the Master Agreement, (ii) any oral agreements made in accordance with this Master Agreement and (iii) the provisions contained in any effective Confirmation Notices.

2.4 **"Business Day"** - shall mean a calendar day on which both Parties are open for business on the same calendar day.

2.5 **"Close Out Costs"** - shall mean the sum of the Cover Costs calculated for each Month (or part thereof) remaining in the term of a terminated Transaction which are incurred by a non-defaulting Party and then aggregated and set-off against amounts owed by the non-defaulting Party to the defaulting Party to determine the net of the future Cover Costs.

2.6 **"Commodity Charge"** - shall mean the portion of the Price which is attributable to the quantity of Gas actually delivered and received.

2.7 **"Commodity Exchange"** - shall mean the New York Mercantile Exchange ("NYMEX"), the Kansas City Board of Trade ("KCBOT") or any other commodity trading exchange which may be established in the future, or any successor, as indicated on the applicable Confirmation Notices.

2.8 **"Confirmation Notice"** - shall mean a written notice from DETM to the receiving Party confirming the verbal agreement entered into by the Parties with respect to a specific Transaction.

2.9 **"Cover Costs"** - shall mean the quantification of the loss, beginning at the time of breach, resulting from a Party's failure to perform its Service Level obligation after the non-defaulting Party has exercised commercially reasonable efforts to mitigate such loss. Such loss is determined by the provisions of Article IV.

2.10 **"Cover Standard"** - if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Agreement, then the non-defaulting Party shall use commercially reasonable efforts to obtain Gas, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the defaulting Party; the immediacy of the Buyer's Gas consumption or resale needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the defaulting Party. If the failed delivery or receipt is for a period of one (1) Month or less, then the Spot Price for the Days during such period shall provide the controlling market indicator in evaluating the commercial reasonableness of a non-defaulting Party's replacement sale or purchase efforts.

2.11 **"Day"** - shall mean a period of twenty-four (24) consecutive hours coextensive with a "day" as defined by the receiving Transporter in a particular transaction.

2.12 **"Delivery Period"** - shall mean the time period specified in the Confirmation Notice during which deliveries are to be made for each Transaction.

2.13 **"Delivery Point"** - shall mean that specific point at which the Parties have mutually agreed that Seller will deliver the Gas to Buyer and Buyer will receive the Gas from Seller, as specified for each Transaction in the Confirmation Notice. Title to the Gas shall transfer from Seller to Buyer at the Delivery Point.

2.14 **"Demand Charge"** - shall mean the portion of the Price which is paid periodically irrespective of whether any quantity of Gas is delivered or received.

2.15 **"Dollars"** - shall mean U.S. Dollars.

2.16 **"EFP"** - shall mean the exchange of a futures contract for, or in connection with, physical delivery in accordance with the Rules of the Commodity Exchange.

2.17 **"Force Majeure"** - shall mean a condition or event as described in Article VI.

2.18 **"Gas" or "Natural Gas"** - shall mean merchantable methane and other gaseous hydrocarbons that meets or exceeds the specifications of the Transporter(s)' tariff(s) as amended from time

to time by jurisdictional regulatory authorities, including, but not limited to, quality, temperature, and pressure.

2.19 **"Imbalance Charges"** - shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.20 **"Month"** - shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.21 **"NYMEX Price"** - shall mean the price for the natural gas futures contract traded on the New York Mercantile Exchange.

2.22 **"Price"** - shall mean the price referenced in the Confirmation Notice which Buyer agrees to pay Seller for the Quantity specified in a Confirmation Notice.

2.23 **"Process" or "Processing"** - shall mean the extraction of hydrocarbons from the Gas.

2.24 **"Quantity"** - shall mean the Quantity of Gas designated in a Transaction in accordance with this Agreement and the applicable Confirmation Notice which Seller agrees to sell and deliver and Buyer agrees to receive and purchase subject to the agreed Service Level.

2.25 **"Schedule" or "Scheduled"** - shall refer to the respective acts of Seller, Buyer and the Transporter(s) notifying, requesting, and confirming to each other the Quantity to be delivered on any given Gas Day during the Delivery Period. Gas shall be deemed to have been Scheduled when confirmed by the Transporter(s).

2.26 **"Service Level"** - shall mean the commitment by which Seller agrees to sell and deliver and Buyer agrees to purchase and receive the Quantity of Gas in a Transaction indicated on a Confirmation Notice defined as either a (i) Interruptible Swing Service, (ii) Interruptible Base Load Service, (iii) Firm Service, or (iv) EFP/ADP Sale as further described in Section 4.1.

2.27 **"Special Provisions"** - shall mean terms and conditions which vary from the standard terms of the Master Agreement or are not included in the Master Agreement, which the Parties agree shall be included in, and apply to, the Transaction set forth in a Confirmation Notice. Special Provisions which are in conflict or inconsistent with standard terms contained in Master Agreement shall govern and control.

2.28 **"Spot Price"** - shall mean the average of the prices listed in the Gas Daily "Daily Price Survey" for production from the same region and pipeline as the region of the Delivery Point(s) specified on the relevant Confirmation Notice.

2.29 **"Trigger Price Agreement"** - shall mean the agreement between the Parties whereby one Party has the option of fixing or locking-in the price to be paid for gas in the future by reference to either the NYMEX Price and/or the location.

2.30 **"Transaction Tape"** - shall mean the recording of the verbal Transaction between the parties occurring on any Business Day whereby a bid or offer and acceptance shall constitute the agreement of the parties to a Transaction as evidenced by a tape recording of the conversation.



2.31 **"Transaction"** - shall mean a specific purchase and sale of Gas consummated according to the confirmation and notice procedures of Article III hereof.

2.32 **"Transporter(s)"** - shall mean the natural gas pipeline company(ies) and their associated physical facilities, enabling the physical delivery and receipt of Gas on behalf of either Party pursuant to a Transaction.

### **ARTICLE III - CONFIRMATION AND NOTICE PROCEDURES**

3.1 The Parties recognize that the natural gas market is volatile; and, therefore, it is mutually desirable to agree to the purchase and sale of Gas verbally and to be bound by such oral agreements confirmed later in writing. Accordingly, the Parties agree to the following procedures in the event the Parties reach verbal agreement regarding the sale and purchase of Gas for a particular Delivery Period. Any oral agreement shall be binding until superseded by an effective Confirmation Notice. DETM's telephones may be monitored by recording equipment and any such recordings shall serve as the best evidence of any oral agreement.

3.2 No later than the close of the Business Day following the Day of oral agreement, DETM shall, and the other Party may, send a written confirmation to the other generally in the form of Exhibit "A", by telecopy or other electronic transmission. The use of any typed or electronic signature on such Confirmation Notices shall constitute a signature under the Uniform Commercial Code or any other applicable contract law. The Confirmation Notice will reflect the agreed-upon terms including: Buyer, Seller, Delivery Period, Delivery Point, Quantity, Service Level, Price, and any Special Provision.

3.3 If a Confirmation Notice sent by DETM is contrary to the receiving Party's understanding of its verbal agreement, the receiving Party must notify DETM of the discrepancy(ies) in writing immediately, but not later than the close of the second Business Day following receipt. The Parties shall resolve such discrepancies as soon as reasonably possible, so they can agree in writing to a Confirmation Notice. The receiving Party's failure to so notify DETM in writing by the second Business Day deadline constitutes the agreement of the receiving Party to the terms set forth in DETM's Confirmation Notice, at which time it shall become binding and effective.

### **ARTICLE IV - SERVICE LEVELS AND NON-PERFORMANCE DAMAGES**

4.1 The Service Level obligations of the Parties shall be, in ascending order of commitment, one of the following:

(a) **"Interruptible Swing Service"** - shall mean deliveries and receipts of Gas are on a fully interruptible basis so that the delivery or receipt of Gas may be stopped by either Party at any time for any reason subject only to Scheduling requirements and deadlines of affected Transporter(s). Once the Gas is Scheduled with the affected pipeline Transporter(s), Seller is expected to deliver and Buyer is expected to receive the Scheduled volume until such time as Seller or Buyer discontinues the sale and purchase of Gas pursuant to the applicable Confirmation Notice and each Party has had sufficient time to notify affected pipeline Transporters.

(b) **"Interruptible Base Load Service"** - shall mean that either Party may interrupt its performance only to the extent caused by: (i) a Force Majeure event, or (ii) the inability to deliver or receive Gas as a result of interruption or curtailment of interruptible or other higher service level transportation by any Transporter. From time to time, especially with regard to transactions serviced from the DETM Salt Lake City office, the Parties may refer to this level of service as "Reasonable Efforts" service. Economic considerations shall not be valid reasons for interruption of Reasonable Efforts service.

(c) **"Firm Service"** - shall mean that either Party may only interrupt its performance to the extent caused by: (i) interruption or curtailment of necessary firm transportation (at primary or secondary points), or (ii) an applicable Force Majeure event. Failure or inability to obtain such firm transportation service on Transporters necessary to accomplish delivery or receipt of Gas as agreed in a Transaction shall not excuse performance.

(d) **"EFP/ADP Sale"** - shall mean the Parties have agreed to the EFP procedures of the Commodity Exchange to exchange a futures position for a physical position of equal quantity, or they wish to utilize an ADP to consummate delivery in connection with a futures position. This means that Seller and Buyer have agreed to make and accept deliveries of Gas on a Firm Service basis and to follow all the Commodity Exchange's rules, regulations and guidelines applicable to EFP or ADP transactions. Buyer and Seller agree to submit necessary documentation, and to assume necessary positions on the Commodity Exchange, in order to implement the ADP or EFP procedures in connection with this type of Transaction.

4.2 **Cover Standard.** In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of any Service Level obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for incremental transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard, adjusted for incremental transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). The parties understand and agree that, in utilizing the Cover Standard, that the exact amount of actual damages may be difficult to ascertain or prove and that liquidated damages provided herein, together with Imbalance Charges, represents a fair and reasonable estimate of the damages actually suffered by a Party and that upon payment of such liquidated amount no other payment, other than for Imbalance Charges, shall be due for a breach of Service Level obligation.

4.3 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES OF ANY CHARACTER, INCLUDING BUT NOT LIMITED TO LOSS OF USE, LOST

PROFITS (PAST AND FUTURE), ADDITIONAL OUT OF POCKET EXPENSES INCURRED BY EITHER PARTY, OR TORT, CONTRACT OR OTHER CLAIMS RESULTING FROM, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY INCIDENT TO ANY ACT OR OMISSION OF EITHER PARTY RELATED TO THE PROVISIONS OF THIS AGREEMENT, IRRESPECTIVE OF WHETHER CLAIMS OR ACTIONS FOR SUCH DAMAGES ARE BASED UPON CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR ANY OTHER REMEDY AT LAW OR EQUITY.

4.4 In the event the non-defaulting Party terminates a Transaction(s) pursuant to Article VIII, the sole, exclusive remedy of such non-defaulting Party for non-performance of the remainder of the terminated Transaction will be the Close Out Costs due the non-defaulting Party.

4.5 With regard to any Service Level commitment, each Party shall be responsible for complying with the Scheduling deadlines and procedures of applicable Transporter(s) and for any Imbalance Charges incurred as a result of its failure to so comply as set forth in Article V.

#### **ARTICLE V - TRANSPORTATION**

5.1 Seller is obligated daily to Schedule, or cause to be Scheduled, the designated Quantity with the Transporter and deliver the Quantity to the Delivery Point; and Buyer is obligated daily to Schedule, or cause to be Scheduled, and to receive such Quantity from the Transporter delivering the Quantity at the specified Delivery Point. Seller and Buyer agree to deliver and receive Gas at an approximate constant rate of flow throughout the Delivery Period.

5.2 The Parties shall coordinate their Scheduling requirements by telephone (with immediate confirmation in writing by telecopy if such confirmation is requested) and shall provide ample time to meet the Scheduling deadlines of the affected Transporter(s). Each Party's gas control dispatcher shall give the other timely notice of a nomination, sufficient to meet the requirements of all Transporters involved with the Gas delivered and received on each Day. Such notice shall be at least one (1) Business Day prior to the earliest regularly scheduled nomination deadline of the Transporter(s) receiving or delivering Gas at the Delivery Point(s) for Gas to be delivered commencing on the first Day of a Month, and three hours earlier than such deadline for any subsequent nomination if intramonth changes are authorized. Should either Party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such Party shall notify immediately the other Party's gas control dispatcher by telephone to be followed up with written telecopy notice within twenty-four (24) hours.

5.3 The Parties shall use all reasonable efforts to avoid imposition by any Transporter of an Imbalance Charge. If, during any Month, Buyer or Seller receive an invoice from a Transporter which includes an Imbalance Charge, the Parties shall use their best efforts to promptly determine the validity as well as the cause of such Imbalance Charge. If the Parties determine that the Imbalance Charge was imposed as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to Seller's Scheduled Gas), then Buyer shall pay for such Imbalance Charge or reimburse Seller for such Imbalance Charge paid by Seller to the Transporter. If the Parties determine that the Imbalance Charge was imposed as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to Buyer's Scheduled Gas), then Seller shall pay for such Imbalance Charge, or reimburse Buyer for such Imbalance Charge paid by Buyer to the Transporter.

## **ARTICLE VI - FORCE MAJEURE**

6.1 Except with regard to a Party's obligation to make payments due under the Agreement, neither Party shall be liable to the other for a failure to perform its obligations hereunder, if performance was prevented by Force Majeure. As used herein, the term "Force Majeure" shall mean an unforeseen occurrence or event beyond the control of the Party claiming excuse which partially or entirely prevents that Party's performance of its obligations. Demand charges shall not be waived in the event of Force Majeure.

6.2 The Party whose performance is prevented by Force Majeure must provide notice to the other Party. Initial notice may be given orally; however, written notification with particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other Party, the affected Party will be relieved of its obligation to make/accept delivery of Gas to the extent and for the duration of Force Majeure and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event. Force Majeure, however, shall not excuse the payment of financial obligations, such as those incurred in liquidating hedge positions undertaken by a Party in reliance upon a trigger price, fixed price or other price risk management option exercised by the non-performing Party, who shall be liable for any losses incurred in such liquidation.

6.3 Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe, weather related events such as hurricanes or freezing or failure of wells or lines of pipe which affects an entire geographic region; (ii) acts of others such as strikes, riots, sabotage, insurrections or wars; (iii) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction; and (iv) any other causes, whether of the kind herein enumerated or otherwise not reasonably within the control of the affected Party to prevent or overcome. Seller and Buyer shall make reasonable efforts to avoid Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

6.4 Neither Party shall be entitled to the benefit of the provisions of Force Majeure under either or both of the following circumstances: (i) to the extent the failure to perform was caused by the sole or contributory negligence of the Party claiming excuse; or (ii) to the extent the failure to perform was caused by the Party claiming excuse having failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch.

6.5 Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the Party experiencing such disturbance.

## **ARTICLE VII - TAXES**

7.1 Seller shall be responsible for payment of, all taxes, transportation charges, production related costs, severance, ad valorem taxes and other expenses attributable to the Gas prior to its delivery at the Delivery Point(s). Seller shall reimburse Buyer for any such taxes, charges, costs or expenses paid on behalf of Seller by Buyer. Buyer shall be responsible for the payment of taxes related to the Transaction(s) hereunder at or after the Delivery Point including, but not limited to, all sales or use, gross receipts, consumption and franchise taxes. Buyer shall provide Seller with any applicable certificate or other documentation of sales or use tax exemption; and Buyer shall be liable for any sales or use tax and associated interest or penalties assessed against Seller due to Buyer's failure to timely provide or properly complete any such certificate or documentation.

## **ARTICLE VIII - FINANCIAL RESPONSIBILITY**

8.1 Prior to commencement of performance, or at any other time during the term of this Agreement, either Party may require the other to provide financial information reasonably needed to ascertain the other Party's ability to pay for Gas to be received under this Agreement or to meet any other obligation which may accrue, including without limitation the obligation to pay damages in the event of failure to perform. If either Party's creditworthiness becomes unsatisfactory in this regard, then the dissatisfied Party (the Unsecured Party) may require assurance of the other Party's ability to pay or require different terms of payment. The Unsecured Party may suspend deliveries or receipts hereunder or terminate this Agreement if, in the sole opinion of the Unsecured Party, the other Party fails to deliver the requested credit information or assurance of its ability to pay within two (2) business days of such request. Such assurance may, at the option of the Unsecured Party, include (i) the required posting of a letter of Credit (acceptable to the Unsecured Party and the issuing bank); (ii) cash prepayments; (iii) corporate guarantee or (iv) other security acceptable to the Unsecured Party.

8.2 In the event either Party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a bankruptcy proceeding against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) become unable to pay its debts as they fall due; or (v) default in the payment or performance of any obligation to the other Party under this Agreement or otherwise (which remains uncured for a period of two (2) consecutive Business Days, then in addition to any and all other remedies available hereunder or pursuant to law, the other Party shall have the right without further notice to withhold or suspend deliveries or receipts or terminate the Agreement and any or all Transactions without further notice.

## **ARTICLE IX - BILLING AND PAYMENT**

9.1 On or before the fifteenth (15th) day following the month in which deliveries of Gas were made hereunder, Seller shall deliver to Buyer a statement for the preceding month properly identified as to the Delivery Point and showing the total volume of Gas delivered and the amount due. If the actual volume delivered is not available by the contractual billing date, billing will be prepared based on the Scheduled quantities. The estimated volume will then be corrected to the actual volume on the following month's billing or as soon thereafter as actual delivery information is available.

9.2 Unless a different payment method is specified in the Confirmation Notice, Buyer shall remit the full amount due in U.S. Dollars by wire transfer, electronic funds transfer or other similarly expeditious means, pursuant to Seller's invoice instructions, on or before the later of (i) the twenty-fifth (25th) Day of the Month immediately following the delivery Month or (ii) ten (10) days after receipt of the invoice by Buyer; provided that if such date is not a Business Day, payment is due on the next Business Day.

9.3 In the event a Party fails to pay the full amount payable by it when due and absent a bona fide dispute as to whether such amount is due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then effective prime rate of interest for large U.S. Money Center commercial banks, published under "Money Rates" by The Wall Street Journal, plus two percent (2%) per annum from the date due until the date of payment, or (ii) the maximum applicable lawful interest rate. A Party is entitled to set-off any amount owed to it under any Transaction or any other agreement with the other Party from the amount required to be paid under the agreement or any other Transaction. In any action to collect an amount due under this Agreement, the prevailing Party shall be entitled to recover its reasonable attorney fees and collection costs, either as determined by arbitration under Article XV hereof or by a court of competent jurisdiction.

9.4 Each of the Parties, at its own expense, shall have the right, upon reasonable notice and at reasonable times, to examine the books and records of the other to the extent reasonably necessary to verify the accuracy of any statement, payment, demand, charge, or computation made under any Agreement. If either Party has documentation from its Transporter(s) which is needed by the other Party in this regard it shall provide such information upon request. Any such audit and any claim based upon errors in any statement must be made within two (2) years of the date of such statement or last revision thereof. Neither Party shall have the right to perform more than (2) such audits per calendar year. Such right to audit shall be available for the term of this Agreement and for two (2) years after its termination.

9.5 In the event an error is discovered in the amount billed in any invoice rendered hereunder such error shall be rectified by payment within ten (10) days after notice of the discovery of the error. In the event a dispute arises as to the amount payable in any invoice rendered hereunder, Buyer shall nevertheless pay when due the amount not in dispute under such invoice, and shall provide written notice to Seller indicating the disputed amount and the reason for such dispute. In the event a difference for volumes cannot be reconciled, payment shall be based upon the receipt volumes allocated to the shipper's transportation contract(s) with the Transporter. During this time of reconciliation, there shall be no late charges or interest imposed on the Buyer related to payment for such difference, unless interest charges are being applied by the affected Transporter. Such payment shall not be deemed to be a waiver of the right by Buyer to recoup any overpayment, nor shall acceptance of any payment be deemed to be a waiver by Seller of any underpayment.

## **ARTICLE X - NOTICES**

10.1 All notices, invoices, payments, statements and communications made pursuant to this Agreement shall be in writing and made as follows:

Advisements to DETM should be made as directed below or as otherwise indicated on superseding invoices, statements, notices and other correspondence on company letterhead or company logo:

Confirmation Notices/  
Correspondence:

**If the transaction is done  
with the Houston Office:**

Duke Energy Trading and Marketing, L.L.C.  
10777 Westheimer, Suite 650  
Houston, Texas 77042  
Attention: Contract Administration  
Phone: (713) 260-1800 FAX: (713) 260-1825

**If the transaction is done  
with the SLC Office:**

Duke Energy Trading and Marketing, L.L.C.  
4 Triad Center, Suite 1000  
Salt Lake City, Utah 84180  
Attention: Contract Administration  
Phone: (801) 531-4400 FAX: (801) 531-5490

Invoices:

**If the transaction is done  
with the Houston Office:**

Duke Energy Trading and Marketing, L.L.C.  
10777 Westheimer, Suite 650  
Houston, Texas 77042  
Attention: Gas Accounting  
Phone: (713) 260-1800 FAX: (713) 260-8585

**If the transaction is done  
with the SLC Office:**

Duke Energy Trading and Marketing, L.L.C.  
4 Triad Center, Suite 1000  
Salt Lake City, Utah 84180  
Attention: Gas Accounting  
Phone: (801) 531-4400 FAX: (801) 531-5473

Payment:

**By Wire Transfer:**

Chase Manhattan Bank New York  
For the Account of: Duke Energy Trading and Marketing, L.L.C.  
Account No. 910-2-771269  
ABA No. 021000021

Payment  
**By Check:**

Duke Energy Trading and Marketing, L.L.C.  
P.O. Box 201204  
Houston, TX 77216-1204

Gas Control:

**If the transaction is done  
with the Houston Office:**

Duke Energy Trading and Marketing, L.L.C.  
10777 Westheimer, Suite 650  
Houston, Texas 77042  
Attention: Gas Control  
Phone: (713) 260-1800 FAX: (713) 260-1850

**If the transaction is done  
with the SLC Office:**

Duke Energy Trading and Marketing, L.L.C.  
4 Triad Center, Suite 1000  
Salt Lake City, Utah 84180  
Attention: Gas Control  
Phone: (801) 531-4400 FAX: (801) 531-5471

Advisements to the other Party should be made as directed on Exhibit "B" attached hereto or as otherwise indicated on superseding invoices, statements, notices and other correspondence on company letterhead.

10.2 All notices required pursuant to this Agreement may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail, certified mail return receipt requested, or hand delivered.

10.3 Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission, if the day on which such facsimile is received is not a Business Day or is after five p.m. (at the receiving party's place of business) on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. First class mail is deemed delivered three (3) days after mailing.

#### **ARTICLE XI - MEASUREMENT, QUALITY AND PRESSURE**

11.1 The unit of Quantity measurement for deliveries shall be in MMBtu's dry.

11.2 All Gas delivered by Seller shall meet the quality and heat content requirements of the receiving Transporter(s)' tariff, as amended from time to time, and shall apply to all Gas transported under this Agreement. Measurement of Gas Quantities hereunder shall be in accordance with the established procedures of the receiving Transporter(s) at the Delivery Point(s).



11.3 Buyer shall have the right to reject Gas that does not meet the receiving Transporter(s)' quality and pressure specifications applicable at the Delivery Point(s).

## **ARTICLE XII - PROCESSING**

12.1 Seller shall have the sole and exclusive right, but not the obligation, to Process the Gas to remove any liquid or liquefiable hydrocarbons prior to delivery at the Delivery Point(s). Any hydrocarbons removed by Seller shall belong to Seller and shall be Seller's sole responsibility. Any costs associated therewith (including transportation costs and plant thermal reduction) shall be borne by Seller and Seller shall indemnify, defend and hold Buyer harmless therefrom.

12.2 Buyer shall have the sole and exclusive right, but not the obligation, to Process the Gas to remove any liquid or liquefiable hydrocarbons at or after delivery of the Gas at the Delivery Point(s). Any such hydrocarbons removed by Buyer shall belong to Buyer and shall be Buyer's sole responsibility. Any costs associated therewith (including transportation costs and plant thermal reduction) shall be borne by Buyer and Buyer shall indemnify, defend and hold Seller harmless therefrom.

## **ARTICLE XIII - EQUAL EMPLOYMENT OPPORTUNITY (U.S.A. ONLY)**

As to all Transactions performed exclusively within the United States, the Equal Employment Opportunity Clause required under Executive Order No. 11246, the affirmative action commitment for veterans set forth in 41 CFR 60-250.4, the affirmative action clause for handicapped workers set forth in CFR 650-741.4, and the related regulations of the Secretary of Labor, 41 CFR Chapter 60, are incorporated by reference in this Agreement, with which compliance is certified.

## **ARTICLE XIV - TITLE, WARRANTY AND INDEMNITY**

14.1 Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

14.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

14.3 Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorney's fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, for payment, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attached after title passes to Buyer.

14.4 Notwithstanding the other provisions of this Article XIV, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Article XI.

## **ARTICLE XV - ARBITRATION AND LEGAL RECOURSE**

15.1 In the event the Parties are unable to resolve any dispute regarding the application or interpretation of any provision related to this Agreement and such dispute involves less than \$1,000,000, both Parties agree to resolve such dispute through the arbitration provisions of this Article.

15.2 Within twenty (20) Business Days of either Party's written election to the other to arbitrate any disputes which arise under this Agreement involving less than \$250,000, the Parties shall agree on one arbitrator to decide any such dispute. As to disputes involving between \$250,000 and \$1,000,000, each Party shall choose one arbitrator within twenty (20) Business Days of either Party's written election to the other to arbitrate, and within ten (10) Business Days after both such arbitrators are chosen, such arbitrators shall choose a third arbitrator thus completing the whole arbitration panel. In the event of a dispute as to whether the applicable amount in dispute is less than \$250,000, or if the Parties are unable to agree to a single arbitrator, the arbitration panel shall consist of three arbitrators. Any arbitrator chosen shall be a disinterested party with knowledge of the industry.

15.3 The arbitrator(s), once chosen, shall consider any Transaction tapes or any other evidence which the arbitrator(s) deem necessary and shall then accept sealed written resolutions of the subject dispute from each Party on a confidential basis to be submitted within twenty (20) Business Days of establishment of the arbitration panel. The written submissions shall be in a form and subject to any limitations as may be prescribed by the arbitrator(s). The arbitrator(s) shall then choose only one of the proposed solutions, (without modification) as the fairest solution to the dispute within ten (10) Business Days of receipt of the written submissions of both Parties. In the event of a three member arbitration panel, a majority vote shall govern. The decision of the arbitrators shall be final and nonappealable.

15.4 Any expenses incurred in connection with hiring the arbitrator(s) and performing the arbitration shall be shared and paid equally between the Parties. Each Party shall bear and pay its own expenses incurred by each in connection with the arbitration, unless otherwise included in a solution chosen by the arbitration panel. In the event either Party must file a court action to enforce an arbitration award under this Article, the prevailing Party shall be entitled to recover its court costs and reasonable attorney fees.

15.5 This Article shall not apply to any disputes involving \$1,000,000 or more, and each Party retains its respective rights to pursue all legal and equitable remedies regarding any such disputes. The Parties, however, may consent to resolve such disputes by the provisions of this Article.

## **ARTICLE XVI - TERM**

16.1 This Agreement shall remain in effect until terminated by either Party on ninety (90) Days written notice, subject to termination rights pursuant to Article VII - Taxes and Article VIII - Financial Responsibility. If one or more Confirmation Notices are in effect, termination of the Agreement shall not be effective until the expiration of the latest Delivery Period under such Confirmation Notice(s).

## **ARTICLE XVII - ASSIGNMENT AND CONFIDENTIALITY**

17.1 This Agreement shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective Parties hereto, and the covenants, conditions, rights and obligations of this Agreement shall run for the full term of this Agreement. No assignment of this

Agreement, in whole or in part, will be made without the prior written consent of the non-assigning Party, which consent will not be unreasonably withheld, provided however, either Party may transfer its interest to any Affiliate by assignment, merger or otherwise without prior written consent of the other Party as long as such entity has a credit status which, in the non-assigning Party's sole opinion, is at least as high as that of the assignor.

17.2 The terms of this Agreement and of any Confirmation Notice entered into pursuant hereto, including but not limited to the Price, the Quantity, the Delivery Period, the identified Transporter(s) and all other material terms thereof shall be kept confidential by the Parties hereto, except to the extent that any information must be disclosed to a third party for the purpose of transporting Gas subject to the Agreement, to meet Commodity Exchange requirements or regulatory filing requirements where necessary, or to respond to an audit request. As a condition of conducting an audit pursuant to Section 9.4, the auditing Party acknowledges that the documents and records provided may contain proprietary or competitively sensitive information, which the auditing Party shall treat as confidential and not in competition with the audited Party.

#### **ARTICLE XVIII - MISCELLANEOUS**

18.1 Compliance with the confirmation procedures of Article III satisfies any "writing" requirements imposed under the Uniform Commercial Code or any other applicable contract law.

18.2. There are no third party beneficiaries to this Agreement and none are intended by the Parties.

18.3 The Parties may supplement this Agreement with the EDI Trading Partner Agreement endorsed by the Gas Industry Standards Board.

18.4 If any provision of this Agreement is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Agreement.

18.5 No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

18.6 All rights, duties and obligations arising under this Agreement shall be exercised and discharged in good faith and in a commercially reasonable manner.

18.7 This Agreement sets forth all understandings between the Parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Agreement and any effective Transaction Confirmation(s). This Agreement may be amended only by a writing executed by both parties.

18.8 The interpretation and performance of this Agreement shall be governed by, construed, interpreted and enforced in accordance with the substantive laws of the state of Texas, without reference to its choice of law doctrine.

18.9 Each Party to this Agreement represents and warrants that it has full and complete authority to enter into and perform this Agreement, including having obtained any regulatory authority necessary to

transact business under this agreement. Each person who executes this Agreement on behalf of either Party represents and warrants that it has full and complete authority to do so and that such Party will be bound thereby.

IN WITNESS HEREOF, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, effective as of the first day of December, 1999.

AGREED and ACCEPTED  
this \_\_\_\_\_ day of \_\_\_\_\_, 2000

DUKE ENERGY TRADING AND MARKETING, L.L.C.

By: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED and ACCEPTED  
this 18TH day of FEBRUARY, 2000

GASCO DISTRIBUTION SYSTEMS, INC.

By: KD Magyar  
KAREN D. MAGYAR  
Title: VP MKTG.

**EXHIBIT A**  
**FOR IMMEDIATE DELIVERY**  
**IMPORTANT TIME SENSITIVE DOCUMENT**  
**NATURAL GAS PURCHASE CONFIRMATION NOTICE**

(Date)



**DUKE ENERGY TRADING AND MARKETING, L.L.C.**  
10777 WESTHEIMER, SUITE 650, HOUSTON, TX 77042

**Mobil**

Contract Administration: Phone: (713) 260-1800 Fax: (713) 260-1825

Deal ID:

Title ID:

This Confirmation Notice confirms the verbal agreement reached between representatives of the Buyer and Seller identified herein and confirms a transaction pursuant to the Agreement dated \_\_\_\_\_.

Buyer:  
Attn:  
Phone:

Contract #:  
Fax:

Seller:  
Attn:  
Phone:

Contract #:  
Fax:

**Service Level:**

Meter Description	Beg	End	Qty/Day MMBTU	Price SMMBTU
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Pipeline :

If this description is contrary to our verbal agreement, notify DETM by clearly marking any such discrepancy(ies) directly on this Confirmation Notice and delivering to DETM Contract Administration via facsimile, telecopy or electronic transmission by the close of the second business day following your receipt. As soon as reasonably practical thereafter, please verbally notify either the DETM Marketing Department or Contract Administration that such written notice has been rendered. Your failure to notify DETM of any such contrary understanding by such time constitutes your confirmation of the transaction as described above.

Please be advised that the DETM company logo shall act as our signature in  
accordance with the provisions of the Uniform Commercial Code.

## EXHIBIT "B"

Confirmation Notices/  
Correspondence:

GASCO Distribution Systems, Inc.  
4445 East Pike  
Zanesville, OH 43701  
Attention: Mr. Ken Magyar  
Phone: (740) 454-6198, Ext. 22 Fax: (740) 454-7780

Invoices:

GASCO Distribution Systems, Inc.  
4445 East Pike  
Zanesville, OH 43701  
Attention: Accounting Department  
Phone: (740) 454-6198 Fax: (740) 454-7780

Payments:  
(By Mail)

GASCO Distribution Systems, Inc.  
4445 East Pike  
Zanesville, OH 43701

Payments:  
(By Wire)

(Bank) \_\_\_\_\_ (City, State) \_\_\_\_\_  
For the Account of: \_\_\_\_\_  
ABA Number: \_\_\_\_\_  
Account Number: \_\_\_\_\_

The information specified above may be modified by written notice to the other Party's Contract Administration Department.

**FOR IMMEDIATE DELIVERY**  
**IMPORTANT TIME SENSITIVE DOCUMENT**  
**EXHIBIT A**



**DUKE ENERGY TRADING AND MARKETING, L.L.C.**

10777 WESTHEIMER, SUITE 650, HOUSTON, TX 77042

Contract Administration: Phone: (713) 260-1800 Fax: (713) 260-1825

**Mobil**

Term: 12/01/1999 - 11/30/2000

This Exhibit A confirms the verbal agreement reached between representatives of the Buyer and Seller identified herein and is subject to terms and conditions of the existing Agreement between Seller and Buyer dated 12/01/1999.

Seller: DUKE ENERGY TRADING AND MARKETING, L.L.C.  
Attn: Mark Bounds  
Phone: (713) 260-7114 Fax: (713) 260-1825

Buyer: GASCO DISTRIBUTION SYSTEMS, INC.  
Attn: Mr. Ken Magyar  
Phone: (740) 454-6198, Ext. 22 Fax: (740) 454-7780

**Service Level: Firm Operational Supply**

	Beg	End	Qty/Day MMBtu	Price \$/USD/MMBtu
Pipeline: See Attached Summary	12/01/1999	11/30/2000	See Attached Summary	See Attached Summary

**SPECIAL PROVISIONS:**

- (1) The primary term of this Exhibit A shall be from December 1, 1999 through November 30, 2000 and shall extend year-to-year thereafter until terminated by either Party by giving ninety (90) days prior written notice.
- (2) The maximum daily quantity ("MDQ") of gas that Buyer is entitled to purchase and receive and that Seller is obligated to sell and deliver each day during the term hereof shall be 1,050 MMBtus per day. See the attached Capacity Summary for additional detail.
- (3) The attached Capacity Summary is incorporated into and made a part of this Exhibit A.
- (4) The parties have agreed that Buyer shall have on deposit with Seller a dollar amount equal to the estimated total purchase price for gas supplied during the two highest volume months anticipated during the term of this transaction. Notwithstanding this deposit on account, Seller shall invoice Buyer and Buyer shall pay Seller for gas deliveries according to the billing and payment terms stipulated in Article IX of the Master Natural Gas Sales and Purchase Agreement between the parties. At the time this transaction terminates, pursuant to item (1) above, Seller shall apply the deposit amount to Buyer's account for the last two months' gas deliveries under this transaction. Any amount then remaining over or under the exact amount due shall be timely paid to the party entitled to receive the funds.

If this description is contrary to our verbal agreement, notify DETM by clearly marking any such discrepancy(ies) directly on this Exhibit A and delivering to DETM Contract Administration via facsimile, telecopy or electronic transmission by the close of the second business day following your receipt. As soon as reasonably practical thereafter, please verbally notify either the DETM Marketing Department or Contract Administration that such written notice has been rendered. Your failure to notify DETM of any such contrary understanding by such time constitutes your confirmation of the transaction as described above.

Agreed and Accepted this \_\_\_\_\_ day of \_\_\_\_\_

By \_\_\_\_\_

Title

For DUKE ENERGY TRADING AND MARKETING, L.L.C.  
TM/tc

Agreed and Accepted this 18th day of FEBRUARY 2000

By KD Magyar

VP Mktg

Title

For GASCO DISTRIBUTIONS SYSTEMS, INC.

# Capacity Summary

Exhibit A  
GASCO Distribution Systems, Inc.

Contract	Meter	Location	Receipt or Delivery	DTH/Day	Price
17202	759012	Deerlodge	R	750	IF TGP LA + \$0.20 plus fuel (See Index Reference Below)
	759157	GDSI	D	750	
17202	759012	Saltville	R	500	Cost of gas +Fuel,Tport, surcharges +\$ 0.02
	759157	GDSI	D	500	
30738	753101	Greenbriar	R	300	IF TGP LA + \$0.20 plus fuel (See Index Reference Below)
		GDSI	D	300	

Total Daily Capacity ( MDQ) 1050



*Left Saltville MDQ out, since Gasco does not have supply*

## INDEX:

A price in dollars per MMBtu dry equal to the Index Price for deliveries into Tennessee Gas Pipeline Company (Louisiana & Offshore- Zone 1) as reported by McGraw Hill's Inside F.E.R.C.'s Gas Market Report in the "prices of Spot Gas Delivered to Pipelines" table in the first of the month publication for each month plus \$0.20 per MMBtu plus fuel.



**FOR IMMEDIATE DELIVERY**  
**IMPORTANT TIME SENSITIVE DOCUMENT**  
**EXHIBIT A**

	<b>DUKE ENERGY TRADING AND MARKETING, L.L.C.</b> 10777 WESTHEIMER, SUITE 650, HOUSTON, TX 77042 Contract Administration: Phone: (713) 260-1800 Fax: (713) 260-1825										
Term: 12/01/2000 - 11/30/2001											
This Exhibit A confirms the verbal agreement reached between representatives of the Buyer and Seller identified herein and is subject to terms and conditions of the existing Agreement between Seller and Buyer dated 12/01/1999.											
Seller: DUKE ENERGY TRADING AND MARKETING, L.L.C. Attn: Todd Moore Phone: (713) 260-8567	Buyer: GASCO DISTRIBUTION SYSTEMS, INC. Attn: Mr. Ken Magyar Phone: (740) 454-6198, Ext. 22	Fax: (713) 260-1825 Fax: (740) 454-7780									
Service Level: Firm Operational Supply											
	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:40%;"></th> <th style="width:10%; text-align: center;">Beg</th> <th style="width:10%; text-align: center;">End</th> <th style="width:20%; text-align: center;">Qty/Day MMBtu</th> <th style="width:20%; text-align: center;">Price \$/MMBtu</th> </tr> </thead> <tbody> <tr> <td>Pipeline: See Attached Summary</td> <td style="text-align: center;">12/01/2000</td> <td style="text-align: center;">11/30/2001</td> <td style="text-align: center;">See Attached Summary</td> <td style="text-align: center;">See Attached Summary</td> </tr> </tbody> </table>		Beg	End	Qty/Day MMBtu	Price \$/MMBtu	Pipeline: See Attached Summary	12/01/2000	11/30/2001	See Attached Summary	See Attached Summary
	Beg	End	Qty/Day MMBtu	Price \$/MMBtu							
Pipeline: See Attached Summary	12/01/2000	11/30/2001	See Attached Summary	See Attached Summary							
<b>SPECIAL PROVISIONS:</b> (1) The primary term of this Exhibit A shall be from December 1, 2000 through November 30, 2001 and shall extend year-to-year thereafter until terminated by either Party by giving ninety (90) days prior written notice. (2) The maximum daily quantity ("MDQ") of gas that Buyer is entitled to purchase and receive and that Seller is obligated to sell and deliver each day during the term hereof shall be 1,050 MMBtus per day. See the attached Capacity Summary for additional detail. (3) The attached Capacity Summary is incorporated into and made a part of this Exhibit A. (4) The parties have agreed that throughout the term of this Exhibit "A" Buyer shall have on deposit with Seller a dollar amount equal to the estimated total purchase price for gas supplied during the two highest volume months anticipated during the term of this transaction. Notwithstanding this deposit on account, Seller shall invoice Buyer and Buyer shall pay Seller for gas deliveries according to the billing and payment terms stipulated in Article IX of the Master Natural Gas Sales and Purchase Agreement between the parties. At the time this transaction terminates, pursuant to item (1) above, Seller shall apply the deposit amount to Buyer's account for the last two months' gas deliveries under this transaction. Any amount then remaining over or under the exact amount due shall be timely paid to the party entitled to receive the funds.											

If this description is contrary to our verbal agreement, notify DETM by clearly marking any such discrepancy(ies) directly on this Exhibit A and delivering to DETM Contract Administration via facsimile, telecopy or electronic transmission by the close of the second business day following your receipt. As soon as reasonably practical thereafter, please verbally notify either the DETM Marketing Department or Contract Administration that such written notice has been rendered. Your failure to notify DETM of any such contrary understanding by such time constitutes your confirmation of the transaction as described above.

 Agreed and Accepted this 26 day of October 2000

 By Todd C Moore  
Rep. Energy marketing  
Title

 For DUKE ENERGY TRADING AND MARKETING, L.L.C.  
1M/c

 Agreed and Accepted this 1st day of NOVEMBER 2000

 By KD Magyar  
VP MKTG.  
Title

For GASCO DISTRIBUTIONS SYSTEMS, INC.

## Capacity Summary

Exhibit A

GASCO Distribution Systems, Inc.

Contract	Meter	Location	Receipt or Delivery	DTH/Day	Price
17202	759012	Deerlodge	R	750	IF TGP LA + \$0.20 plus fuel (See Index Reference Below)
	759157	GDSI	D	750	
17202	759012	Saltville	R	500	Cost of gas + Fuel, Tport, surcharges + \$ 0.05
	759157	GDSI	D	500	
30738	753101	Greenbriar	R	300	IF TGP LA + \$0.20 plus fuel (See Index Reference Below)
		GDSI	D	300	

Total Daily Capacity ( MDQ) 1050

*Left Saltville MDQ out, since GASCO does not have supply*

### INDEX:

A price in dollars per MMBtu dry equal to the Index Price for deliveries into Tennessee Gas Pipeline Company (Louisiana & Offshore- Zone 1) as reported by McGraw Hill's Inside F.E.R.C.'s Gas Market Report in the "prices of Spot Gas Delivered to Pipelines" table in the first of the month publication for each month plus \$0.20 per MMBtu plus fuel.

**GAS TRANSPORTATION AGREEMENT**  
(For Use Under Rate Schedules FT-A and FT-GS )

THIS AGREEMENT is made and entered into as of the 1st day of November 1, 1996, by and between EAST TENNESSEE NATURAL GAS COMPANY, a Tennessee Corporation, hereinafter referred to as "Transporter" and Gasco Distribution Systems, Inc., an Ohio Corporation, hereinafter referred to as "Shipper." Transporter and Shipper shall be referred to herein individually as the "Party" and collectively as "Parties."

**ARTICLE I - DEFINITIONS**

The definitions found in Section 1 of Transporter's General Terms and Conditions are incorporated herein by reference.

**ARTICLE II - SCOPE OF AGREEMENT**

Transporter agrees to accept and receive daily, on a firm basis, at the Receipt Point(s) listed on Exhibit A attached hereto, from Shipper such quantity of gas as Shipper makes available up to the applicable Transportation Quantity stated on Exhibit A attached hereto and deliver for Shipper to the Delivery Point(s) listed on Exhibit A attached hereto an Equivalent Quantity of gas. The Rate Schedule applicable to this Agreement shall be stated on Exhibit A.

**ARTICLE III - RECEIPT AND DELIVERY PRESSURES**

Shipper shall deliver, or cause to be delivered, to Transporter the gas to be transported hereunder at pressures sufficient to deliver such gas into Transporter's system at the Receipt Point(s). Transporter shall deliver the gas to be transported hereunder to or for the account of Shipper at the pressures existing in Transporter's system at the Delivery Point(s) unless otherwise specified on Exhibit A.

**ARTICLE IV - QUALITY SPECIFICATIONS AND STANDARDS FOR MEASUREMENTS**

For all gas received, transported, and delivered hereunder, the Parties agree to the quality specifications and standards for measurement as provided for in Transporter's General Terms and Conditions. Transporter shall be responsible for the operation of measurement facilities at the Delivery Point(s) and Receipt Point(s). In the event that measurement facilities are not operated by Transporter, the responsibility for operations shall be deemed to be Shipper's.

GAS TRANSPORTATION AGREEMENT  
(For Use Under Rate Schedules FT-A and FT-GS )

ARTICLE V - FACILITIES

The facilities necessary to receive, transport, and deliver gas as described herein are in place and no new facilities are anticipated to be required.

ARTICLE VI

RATES AND CHARGES FOR GAS TRANSPORTATION

- 6.1 Rates and Charges - Commencing on the date of implementation of this Agreement under Section 10.1, the compensation to be paid by Shipper to Transporter shall be in accordance with Transporter's effective Rate Schedule FT-A or FT-GS, as specified on Exhibit A. Where applicable, Shipper shall also pay the Gas Research Institute surcharge and Annual Charge Adjustment surcharge as such rates may change from time to time.
- 6.2 Changes in Rates and Charges - Shipper agrees that Transporter shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges stated in this Article, (b) the rates and charges applicable to service pursuant to the Rate Schedule under which this service is rendered and (c) any provisions of Transporter's General Terms and Conditions as they may be revised or replaced from time to time. Without prejudice to Shipper's right to contest such changes, Shipper agrees to pay the effective rates and charges for service rendered pursuant to this Agreement. Transporter agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for adjustment of Transporter's existing FERC Gas Tariff as may be found necessary to assure Transporter just and reasonable rates.

ARTICLE VII - RESPONSIBILITY DURING TRANSPORTATION

As between the Parties hereto, it is agreed that from the time gas is delivered by Shipper to Transporter at the Receipt Point(s) and prior to delivery of such gas to or for the account of Shipper at the Delivery Point(s), Transporter shall be responsible for such gas and shall have the unqualified right to commingle such gas with other gas in its system and shall have the unqualified right to handle and treat such gas as its own. Prior to receipt of gas at

**GAS TRANSPORTATION AGREEMENT**  
(For Use Under Rate Schedules FT-A and FT-GS )

Shipper's Receipt Point(s) and after delivery of gas at Shipper's Delivery Point(s), Shipper shall have sole responsibility for such gas.

**ARTICLE VIII - BILLINGS AND PAYMENTS**

Billings and payments under this Agreement shall be in accordance with Section 16 of Transporter's General Terms and Conditions as they may be revised or replaced from time to time.

**ARTICLE IX - RATE SCHEDULES AND  
GENERAL TERMS AND CONDITIONS**

This Agreement is subject to the effective provisions of Transporter's FT-A or FT-GS Rate Schedule, as specified in Exhibit A, or any succeeding rate schedule and Transporter's General Terms and Conditions on file with the FERC, or other duly constituted authorities having jurisdiction, as the same may be changed or superseded from time to time in accordance with the rules and regulations of the FERC, which Rate Schedule and General Terms and Conditions are incorporated by reference and made a part hereof for all purposes.

**ARTICLE X - TERM OF CONTRACT**

- 10.1 This Agreement shall be effective as of the 1st day of November, 1996, and shall remain in force and effect until the 31st day of December, 1996, ("Primary Term"), provided, however, that if the Primary Term is one year or more, then the contract shall remain in force and effect and the contract term will automatically roll-over for additional five year increments ("Secondary Term") unless Shipper, one year prior to the expiration of the Primary Term or a Secondary Term, provides written notice to Transporter of either (1) its intent to terminate the contract upon expiration of the then current term or (2) its desire to exercise its right-of-first-refusal in accord with Section 7.3 of Transporter's General Terms and Conditions. Provided further, if the FERC or other governmental body having jurisdiction over the service rendered pursuant to this Agreement authorizes abandonment of such service, this Agreement shall terminate on the abandonment date permitted by the FERC or such other governmental body.

**GAS TRANSPORTATION AGREEMENT**  
(For Use Under Rate Schedules FT-A and FT-GS )

- 10.2 In addition to any other remedy Transporter may have, Transporter shall have the right to terminate this Agreement in the event Shipper fails to pay all of the amount of any bill for services rendered by Transporter hereunder when that amount is due, provided Transporter shall give Shipper and the FERC thirty days notice prior to any termination of service. Service may continue hereunder if within the thirty day notice period satisfactory assurance of payment is made in accord with Section 16 of Transporter's General Terms and Conditions.

**ARTICLE XI - REGULATION**

- 11.1 This Agreement shall be subject to all applicable governmental statutes, orders, rules, and regulations and is contingent upon the receipt and continuation of all necessary regulatory approvals or authorizations upon terms acceptable to Transporter and Shipper. This Agreement shall be void and of no force and effect if any necessary regulatory approval or authorization is not so obtained or continued. All Parties hereto shall cooperate to obtain or continue all necessary approvals or authorizations, but no Party shall be liable to any other Party for failure to obtain or continue such approvals or authorizations.
- 11.2 Promptly following the execution of this Agreement, the Parties will file, or cause to be filed, and diligently prosecute, any necessary applications or notices with all necessary regulatory bodies for approval of the service provided for herein.
- 11.3 In the event the Parties are unable to obtain all necessary and satisfactory regulatory approvals for service prior to the expiration of two (2) years from the effective date hereof, then, prior to receipt of such regulatory approvals, either Party may terminate this Agreement by giving the other Party at least thirty (30) days prior written notice, and the respective obligations hereunder, except for the reimbursement of filing fees herein, shall be of no force and effect from and after the effective date of such termination.
- 11.4 The transportation service described herein shall be provided subject to the provisions of the FERC Regulations shown by Shipper on Exhibit A hereto.

**GAS TRANSPORTATION AGREEMENT**  
(For Use Under Rate Schedules FT-A and FT-GS )

**ARTICLE XII - ASSIGNMENTS**

- 12.1 Either Party may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture or other instrument that it has executed or may execute hereafter as security for indebtedness; otherwise, Shipper shall not assign this Agreement or any of its rights and obligations hereunder, except as set forth in Section 17 of Transporter's General Terms and Conditions.
- 12.2 Any person or entity that shall succeed by purchase, transfer, merger, or consolidation to the properties, substantially or as an entirety, of either Party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Agreement.

**ARTICLE XIII - WARRANTIES**

In addition to the warranties set forth in Section 22 of Transporter's General Terms and Conditions, Shipper warrants the following:

- 13.1 Shipper warrants that all upstream and downstream transportation arrangements are in place, or will be in place, as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit A attached hereto. Shipper agrees to indemnify and hold Transporter harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
- 13.2 Shipper agrees to indemnify and hold Transporter harmless from all suit actions, debts, accounts, damages, costs, losses, and expenses (including reasonable attorneys fees) arising from or out of breach of any warranty, by the Shipper herein.
- 13.3 Shipper warrants that it will have title or the right to acquire title to the gas delivered to Transporter under this Agreement.

GAS TRANSPORTATION AGREEMENT  
(For Use Under Rate Schedules FT-A and FT-GS )

- 13.4 Transporter shall not be obligated to provide or continue service hereunder in the event of any breach of warranty; provided, Transporter shall give Shipper and the FERC thirty days notice prior to any termination of service. Service will continue if, within the thirty day notice period, Shipper cures the breach of warranty.
- ARTICLE XIV - MISCELLANEOUS
- 14.1 Except for changes specifically authorized pursuant to this Agreement, no modification of or supplement to the terms and conditions hereof shall be or become effective until Shipper has submitted a request for change through the TENN-SPEED 2 system and Shipper has been notified through the TENN-SPEED 2 system of Transporter's agreement to such change.
- 14.2 No waiver by any Party of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or default, whether of a like or of a different character.
- 14.3 Except when notice is required through the TENN-SPEED 2 system, pursuant to Transporter's FT-A or FT-GS Rate Schedule, as applicable, or pursuant to Transporter's General Terms and Conditions, any notice, request, demand, statement or bill provided for in this Agreement or any notice that either Party may desire to give to the other shall be in writing and mailed by registered mail to the post office address of the Party intended to receive the same, as the case may be, to the Party's address shown on Exhibit A hereto or to such other address as either Party shall designate by formal written notice to the other. Routine communications, including monthly statements and payments, may be mailed by either registered or ordinary mail. Notice shall be deemed given when sent.
- 14.4 THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TENNESSEE, WITHOUT REGARD TO CHOICE OF LAW DOCTRINE THAT REFERS TO THE LAWS OF ANOTHER JURISDICTION.
- 14.5 The Exhibit(s) attached hereto is/are incorporated herein by reference and made a part of this Agreement for all purposes.
- 14.6 If any provision of this Agreement is declared null and void, or voidable, by a court of competent jurisdiction, then that provision will be considered severable at Transporter's options; and if the severability option is exercised, the remaining provisions of the Agreement shall remain in full force and effect.

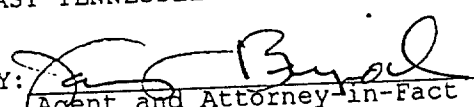


**GAS TRANSPORTATION AGREEMENT**  
(For Use Under Rate Schedules FT-A and FT-GS )

14.7 This Agreement supersedes and cancels the Gas Sales and Transportation Agreement(s) between Shipper and Transporter dated (not applicable) and (not applicable) respectively.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first hereinabove written.

EAST TENNESSEE NATURAL GAS COMPANY

BY:  <sup>W&W</sup>  
Agent and Attorney-in-Fact

GAS<sup>CO</sup> DISTRIBUTION SYSTEMS, INC.


BY:   
KENNETH D. MAGYAR  
TITLE: VICE PRESIDENT OF MARKETING  
DATE: NOVEMBER 27, 1996

EXHIBIT A TO THE  
FIRM TRANSPORTATION AGREEMENT  
DATED November 1, 1996

Shipper: Gasco Distribution Systems, Inc.  
Rate Schedule: FT-A  
Service Package No.: 17202  
Transportation Quantity: 150 Dth  
Proposed Commencement Date: November 1, 1996  
Termination Date: December 31, 1996  
Transportation Service will be provided under Part 284, Subpart G of  
FERC Regulations.

Primary Receipt Point(s):

<u>Name</u>	<u>Meter No.</u>	<u>Max.D. Qt.</u>	<u>Inter. Party</u>	<u>Location CO., ST</u>
Morgan Co. #1	759012	150	Intrastate Energy Corp.	Morgan, TN

Primary Delivery Point(s):

<u>Name</u>	<u>Meter No.</u>	<u>Max.D. Qt.</u>	<u>Inter. Party</u>	<u>Location CO., ST</u>
Titan Energy - Morgan Co. #3	759157	150	Titan Energy	Morgan, TN

\*Transporter shall not be obligated to deliver more cubic feet of gas to any Shipper than the quantity calculated using 1.03 dth per million cubic feet.

Notices not made through the TENN-SPEED 2 system shall be made to:

Shipper

Gasco Distribution Systems, Inc.  
4435 East Pike  
Zanesville, Ohio 43701  
Attn: Kenneth D. Magyar

Invoices

Gasco Distribution Systems, Inc.  
4435 East Pike  
Zanesville, Ohio 43701  
Attn: Kenneth D. Magyar

New Facilities Required: Not Applicable  
New Facilities Charge: Not Applicable

EXHIBIT A TO THE THE  
FIRM TRANSPORTATION AGREEMENT  
DATED NOVEMBER 1, 1996

(This Exhibit A supersedes and cancels Exhibit A dated N/A to  
the Firm Transportation Agreement dated N/A .

EAST TENNESSEE NATURAL GAS CO.

BY: [Signature]

TITLE: AGENT AND ATTORNEY-IN-FACT

DATE: 12/4/96

GASCO DISTRIBUTION SYSTEMS, INC.

BY: [Signature]

TITLE: KENNETH D. MAGYAR  
VICE PRESIDENT OF MARKETING

DATE: NOVEMBER 27, 1996

SP 17202

January 23, 1997

Mr. Kenneth D. Magyar  
Gasco Distribution Systems, Inc.  
4445 East Pike  
Zanesville, Ohio 43701

RE: Amendment No. 2 to  
Gas Transportation Agreement  
Dated November 1, 1996  
Service Package No. 17202

Dear Ken:

EAST TENNESSEE NATURAL GAS COMPANY and GASCO DISTRIBUTION SYSTEMS, INC. (GASCO DIST. SYS. INC) agree to amend the Agreement effective January 16, 1997, to increase the Transportation Quantity and to change the associated Meter Quantities as reflected in the Attached Revised Exhibit A.

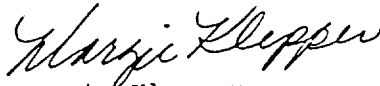
Except as amended herein, all terms and provisions of the Agreement shall remain in full force and effect as written.

If the foregoing is in accordance with your understanding of the Agreement, please so indicate by signing and returning to my attention both originals of this letter at P. O. Box 10245, Knoxville, Tennessee 37939-0245. Upon East Tennessee's execution, an original will be forwarded to you for your files.

Should you have any questions, please do not hesitate to contact me at (423)694-1679.

Best regards,

EAST TENNESSEE NATURAL GAS COMPANY



Margie Klepper  
Central Accounts

Attach.

GASCO DISTRIBUTION SYSTEMS, INC.

January 23, 1997

Page 2

Contract number: 17202

Amendment number: 2

Amendment effective date: January 16, 1997

ACCEPTED AND AGREED TO

This 9TH Day of July, 1997

EAST TENNESSEE NATURAL GAS COMPANY

By: 

Title: Agent and Attorney in Fact

ACCEPTED AND AGREED TO

This 9TH Day of July, 1997

GASCO DISTRIBUTION SYSTEMS, INC.

By: 

Title: VP MKTG.

GAS TRANSPORTATION AGREEMENT

EXHIBIT "A"

AMENDMENT #2 TO GAS TRANSPORTATION AGREEMENT

DATED November 1, 1996

BETWEEN

EAST TENNESSEE NATURAL GAS COMPANY

AND

GASCO DISTRIBUTION SYSTEMS, INC.

GASCO DISTRIBUTION SYSTEMS, INC.

EFFECTIVE DATE OF AMENDMENT: January 16, 1997

RATE SCHEDULE: FT-A

SERVICE PACKAGE: 17202

SERVICE PACKAGE 1q: 250 Dth

METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/O	LEG	METER-1Q	BILLABLE-1Q
759012	MORGAN COUNTY #1	(BI INTRASTATE ENERGY CORPORATION	MORGAN	TN	01	R	999	250	250
Total Receipt 1q:								250	250
759157	TITAN ENERGY - MORGAN CO. #3 D		MORGAN	TN	01	D		250	250

NUMBER OF RECEIPT POINTS: 1  
NUMBER OF DELIVERY POINTS: 1

Note: Exhibit "A" is a reflection of the contract and all amendments as of the amendment effective date.

GAS TRANSPORTATION AGREEMENT

EXHIBIT "A-1"

SHOWING REQUESTED CHANGES

AMENDMENT #2 TO GAS TRANSPORTATION AGREEMENT

DATED November 1, 1996

BETWEEN

EAST TENNESSEE NATURAL GAS COMPANY  
AND

GASCO DISTRIBUTION SYSTEMS, INC.

GASCO DISTRIBUTION SYSTEMS, INC.  
EFFECTIVE DATE OF AMENDMENT: January 16, 1997  
RATE SCHEDULE: FT-A  
SERVICE PACKAGE: 17202  
SERVICE PACKAGE TO: 250 Dth  
SERVICE PACKAGE MSQ: 0

METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE R/D	LEG	METER-TQ	BILLABLE-TQ
759012	MORGAN COUNTY #1	(BI INTRASTATE ENERGY CORPORATION	MORGAN	TN	01	R 999	100	100
Total Receipt TQ:							100	100
759157	TITAN ENERGY - MORGAN CO. #3 D		MORGAN	TN	01	D	100	100

NUMBER OF RECEIPT POINTS AFFECTED: 1  
NUMBER OF DELIVERY POINTS AFFECTED: 1

GASCO DISTRIBUTION SYSTEMS, INC.  
July 7, 1997  
Contract number: 17202  
Amendment number: 4  
Amendment effective date: November 1, 1997

ACCEPTED AND AGREED TO  
This 9<sup>TH</sup> Day of July, 1997

GASCO DISTRIBUTION SYSTEMS, INC.

By: KD M

Title: VP MKTG

ACCEPTED AND AGREED TO  
This 25<sup>th</sup> Day of July, 1997

EAST TENNESSEE NATURAL GAS COMPANY

By: J. Perkins PNW

Title: Agent and Attorney in Fact



GAS TRANSPORTATION AGREEMENT

EXHIBIT "A-1"

SHOWING REQUESTED CHANGES

AMENDMENT #4 TO GAS TRANSPORTATION AGREEMENT

DATED November 1, 1997

BETWEEN

EAST TENNESSEE NATURAL GAS COMPANY

AND

GASCO DISTRIBUTION SYSTEMS, INC.

GASCO DISTRIBUTION SYSTEMS, INC.

EFFECTIVE DATE OF AMENDMENT: November 1, 1997

EFFECTIVE PRIMARY TERM: October 31, 2007

RATE SCHEDULE: FT-A

SERVICE PACKAGE: 17202

SERVICE PACKAGE TQ: 1,000 Dth

METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE R/D	LEG	METER-TQ	BILLABLE-TQ
759777	SALTVILLE STOR. W.D.	VIRGINIA GAS	SMYTH	VA	01	R	1,000	1,000
Total Receipt Tq:							1,000	1,000
759157	TITAN ENERGY - MORGAN CO. #3 D	MORGAN	TN	01	D		1,000	1,000

NUMBER OF RECEIPT POINTS AFFECTED: 1

NUMBER OF DELIVERY POINTS AFFECTED: 1

GAS TRANSPORTATION AGREEMENT

EXHIBIT "A"

AMENDMENT #4 TO GAS TRANSPORTATION AGREEMENT

DATED November 1, 1997

BETWEEN

EAST TENNESSEE NATURAL GAS COMPANY

AND

GASCO DISTRIBUTION SYSTEMS, INC.

GASCO DISTRIBUTION SYSTEMS, INC.

EFFECTIVE DATE OF AMENDMENT: November 1, 1997

EFFECTIVE PRIMARY TERM: October 31, 2007

RATE SCHEDULE: FT-A

SERVICE PACKAGE: 17202

SERVICE PACKAGE TO: 1,250 Dth

METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/D	LEG	METER-TQ	BILLABLE-TQ
759012	MORGAN COUNTY #1	(BI INTRASTATE ENERGY CORPORATION	MORGAN	TN	01	R		250	250
759777	SALTVILLE STOR. W.D.	VIRGINIA GAS		VA	01	R		1,000	1,000
								Total Receipt TQ:	1,250
759157	TITAN ENERGY - MORGAN CO. #3		MORGAN	TN	01	D		1,250	1,250

NUMBER OF RECEIPT POINTS: 2

NUMBER OF DELIVERY POINTS: 1

Note: Exhibit "A" is a reflection of the contract and all amendments as of the amendment effective date.

**GASCO DISTRIBUTION SYSTEMS, INC.**  
**BYRDSTOWN, TENNESSEE FRANCHISE**

**DOCKET #01-00113**

**TYPICAL RESIDENTIAL CUSTOMER OWNED SERVICE PIPELINE**  
**April 17, 2001**

**Estimated material costs to install 100' of customer owned service pipeline**

Quantity	Material Description		
1	275 House meter	\$	66.49
	Meter spuds		11.00
2	1" 90 Ell @ \$1.78 ea.		3.56
2	1" x 3" nipple @ \$.95 ea.		1.90
1	143 House regulator (3/4" x 1")		35.30
1	3/4" x 3" nipple		0.79
1	3/4" Locking stop		12.81
1	3/4" Riser anodeless		<u>32.13</u>
Total		\$	163.98
100'	3/4" Polypipe/coil @ \$.26/ft.		26.00
100'	Tracer wire & tape @ \$.11/ft.		11.00
1	2" x 3/4" Poly tap tee		6.81
100'	Labor - Installation through reclamation @ \$1.00/ft.		<u>100.00</u>
Total		\$	143.81
<b>Total service cost to be charged</b>		<b>\$</b>	<b>307.79</b>

Any costs for road bores is an additional expense to the customer.